

08 AUG 2005 8:58AM SURGE GLOBAL ENERGY  
August 7, 2005

Alberta Energy & Utilities Board  
Facilities Applications  
640 - 5<sup>th</sup> Avenue SW  
Calgary, Alberta

Attention: Susan MacDonald

Re: Non-Routine Drilling Licence Application  
SRGG et al Sawn Lake 102/01-36-91-13 WSM

Susan;

Attached are copies of notes and paperwork arising from recent attempts to meet with the Lubicon Indians with a view to addressing those concerns which they have that are relevant to the proposed drilling license.

In summary, the position put forward by the negotiators Kevin Thomas and Fred Lennarson, purported to be those of the Lubicon Indians, is that all activity within the 'Traditional Land' map as presented by them, will be opposed until a land claims settlement is achieved. Individual operators who negotiate terms with them will proceed on some basis, but objections will continue to any activity on the grounds of this being their land to control for both surface access and mineral benefits.

Points I wish to make with regard to the above captioned application:

Four other wells have been licensed in the area for the purposes of evaluating Bluesky potential bitumen production. None of these wells have obtained any volume of bitumen production to date.

It is premature to label the Surge well as anything other than an evaluation of oil sands, with a possibility of a production test.

Sincerely,  
Surge Global Energy (Canada) Limited



John F. Brown

Attachments

1/4

Meeting Of Sunday, July 31, 2005 @ Little Buffalo, Alberta

Prior to the meeting, D. Perez, S. Gawne & J Brown met with Scott Land & Lease representative, Arlene Charles, in Peace River.

One Hour meeting, consisting of initial contacts, a summary of the events preceding the meeting, and reiteration of the fact that Ms Charles was representing Surge, via Scott L&L, to ensure that all paperwork regarding the surface rights was in place and maintained current and orderly.

The meeting with the Lubicon Nation, represented by:

Chief Bernard Ominiyak

Activist/lobbyist Kevin Thomas

Fred Lennarson

Band members

SURGE Global Energy:

David Perez, Steven Gawne, John Brown & Arlene Charles

Summary:

Opening remarks by D Perez, expressing a desire to understand and share with the Lubicon Nation the plans of Surge for the Sawn Lake area.

Further comments regarding the progression of events leading up to Surge taking over the project.

Apology to the Lubicon Nation, on behalf of Deep Well, regarding the events and the lapse of paperwork, in the entry on the lease at Sawn Lake.

A reiteration of the land claims issues, position and a request for support for a settlement with the Lubicon and all levels of government, presented by Lennarson.

Surge committed to send letters to Provincial & Federal governments supporting a settlement, without bias, from the industry perspective..

Surge, in response to requests for a sharing of information with the Lubicon, to the same extent that the AEUB and Sustainable Resources are made aware of corporate plans, committed to do so, beginning with a review of the current project including speculation as to future developments.

Meeting concluded with a will expressed by both parties to work together and openly, in assessing plans to drill and evaluate at Sawn Lake, including the benefits to the Lubicon Nation from activity by Surge.

Settlement of Trapper compensation

Request list of equipment & people we may employ

**Commitments by Surge:**

Re: Lubicon Land Claims Issue  
Contact with Alberta Government as follows:  
Premier Ralph Klein – Letter & meeting  
Department Of Indian Affairs:  
Department Of Energy: Rand Smith  
  
Federal Government:  
Department Of Indian Affairs:

Purpose Of Contact:

To express the support of Surge in continued dialogue and resolution of outstanding Land Claims issues.  
To convey the significance of uncertainty in jurisdiction and reporting arising from unresolved land claims.

Re: Sawn Lake Oil Sands Leases

Discussion of the Sawn Lake Project  
Timeline for drilling  
Possible Escalation of the project:

Specific Concerns Over Future Water Usage  
Ground Water Mapping  
Potable water mapping  
Aquifer discussion & mapping  
Peace River Group of oil sands as a water source

Details of Information submitted for Mineral Surface Leases

Details of Drilling License applications  
Application per G56 – Copy of Application  
Details of Applications for project status  
AEUB

3/4

08 Aug 2005 8:30am SOURCE 00000001

Scott Land & Lease

Sent Tuesday Aug 2/05

Attention: Arlene Charles

Arlene:

Surge wishes to continue with your involvement as liaison in our ongoing interaction with the Lubicon Nation.

We are providing you with copies of the following:  
our notes of the meeting Sunday  
our commitments to the Lubicon Nation

In furtherance of our commitments, we wish to have you organize the next meeting with Chief Bernard where we will provide for discussion  
Our near term plan for up to 10 wells.  
Our strategy in light of a successful production test.  
Our thoughts of how a thermal project would be conducted.

Our time is open for such times as are convenient for the Chief, from Monday August 8, 2005 or Tuesday, the 9<sup>th</sup>.

We would suggest using the same meeting room we used at the Travellers, if meeting in Peace River rather than Little Buffalo, was agreeable to the Chief. If not, then meeting at the Band Office will be workable.

We also wish to request a letter from the Chief, directed to the AEUB Facilities Applications Group regarding Application Number 1411327, being the drilling licence application submitted by Surge, and to which the Lubicon Nation have objected on the grounds of future development.

We propose that the Chief request that the AEUB confirm to him that the well licence is subject to the following conditions:

The well is to be drilled from the abandoned well site 1-36-91-13 W5.  
That the well is a test well of the Bluesky oil sands.  
That the well is not meant to be a productive oil well, but is subject to an amendment to a horizontal well, drilled from the original well bore, on the same location as the test well, as a result of analysis of the core of the vertical well.  
That the issuance of this licence does not obligate the AEUB to issue any subsequent licence.

4/4

# Lubicon Lake Indian Nation

P.O. Box 6731  
Peace River, Alberta T8S 1S5

Telephone: (780) 629-3945  
Fax: (780) 629-3939

August 3, 2005

David Perez  
Chairman and Chief Operating Officer  
Surge Global Energy  
12220 El Camino Real  
Suite 410  
San Diego, California  
92130 USA

VIA FAX: 1-858-704-5011

Dear Mr. Perez;

Thank you for meeting with the Lubicon Lake Indian Nation Council on July 31, 2005.

At the meeting you told us that Surge Global Energy is currently seeking to drill a single well at 1-36-91-13 W5M. If that well proves successful, you said, Surge will be seeking to drill up to 9 additional wells in the Sawn Lake area over the next two years. You told us that these wells will only use conventional cold-pumping methods to extract heavy oil.

Should the wells prove successful, you said, Surge will be proposing to develop means of piping oil out of the area rather than relying on trucking. You said that piping heavy oil out of the area may require a heavy oil upgrader system. You said that the main upgrader technology you're looking at is a system developed by Genoil Inc. You said the Genoil process involves adding hydrogen to the heavy oil to make the oil flow more readily. You said the only by-product of this process is oxygen.

You told us that Surge Global Energy will not use any surface water or potable water in its operations. Any water used, you said, will come from brackish water found in deep underground reservoirs. You said this water would be re-injected into deep reservoirs after it was used and would not contaminate surface water.

You told us that Surge Global Energy and its partners have committed not to use steam injection or Steam-Assisted Gravity Drainage processes in the Sawn Lake area at any time because it is not safe to do so in this area.

As you know the Lubicon Nation has expressed serious environmental concerns regarding this project as a whole, especially concerning water use, disposal and contamination and the effects of the proposed activities on the nearby lakes. We are also

concerned with the project's cumulative effects on wildlife, surface vegetation, air quality and traffic in the area.

In addition, the Lubicon Nation retains unceded aboriginal title to our Traditional Territory – which includes the Sawn Lake area – so there is an ongoing jurisdictional dispute with the federal and provincial governments which creates uncertainty regarding the regulatory regime Surge Global Energy and its partners must follow. This uncertainty will remain until there is a land rights settlement between the Lubicon Nation and Canada. A map of Lubicon Traditional Territory – outlined with a serrated line – is attached for your information.

With respect to all of these matters, we appreciate the verbal commitments made by Surge Global Energy and Deep Well Oil and Gas at our meeting on July 31.

In order that all parties are clear on what was discussed, we would like to express this initial agreement between Surge Global Energy and the Lubicon Lake Indian Nation in a letter between the two parties. Our understanding of these commitments is as follows:

- Surge Global Energy will treat the Lubicon Lake Indian Nation in the same manner as it treats the Alberta Provincial Government with respect to regulating its oil and gas exploitation activities within Lubicon Traditional Territory, and particularly with respect to the proposed Sawn Lake heavy oil project. Specifically, Surge Global Energy and its partners will submit all plans and proposals for activities within Lubicon Traditional Territory to the Lubicon Chief and Council for approval prior to applying to provincial regulatory bodies for permits or licenses. Surge and its partners will provide the Lubicon Chief and Council with documentation, upon request, concerning such environmental and operational details as are necessary for a full assessment of the project's potential impacts.
- Surge Global Energy and its partners will not proceed with applications for provincial permits or licenses or with operations on the ground until it has obtained the explicit written consent of the Lubicon Lake Indian Nation not to oppose the project elements being proposed.
- Agreement by the Lubicon Nation not to oppose any specific application or project element will not constitute agreement not to oppose any other elements of the proposed project.
- Should the Lubicon Lake Indian Nation agree not to oppose the proposed activity, Surge Global Energy and its partners will identify employment opportunities for Lubicon Nation members where the Lubicon Nation has the capacity to carry out the work.
- In relation to the current application for a single well license at 1-36-91-13 W5M currently being proposed the Lubicon Nation has requested further information

from Surge Global Energy regarding water use and disposal, water flooding, and the proposed Genoil heavy oil upgrading process. Further, we have requested additional assurances that Surge Global Energy will not pursue exploitation near or beneath Sawn and Haig Lakes.

- Surge Global Energy and its partners will not pursue any projects within a one-mile buffer zone surrounding the proposed Lubicon reserve at Haig Lake pending settlement of Lubicon land rights. This includes one Section of the oilsands leases held by Deep Well Oil and Gas, at 27-91-13 W5M. A map of the proposed reserve area at Haig Lake is attached for your information.
- These commitments will be binding on Surge Global Energy and its successors, and will be included as a condition on any sale of assets within Lubicon Lake Indian Nation by Surge Global Energy, its partners or their successors.
- We agree that there will be ongoing communication between Surge Global Energy and the Lubicon Nation on operational and environmental issues.

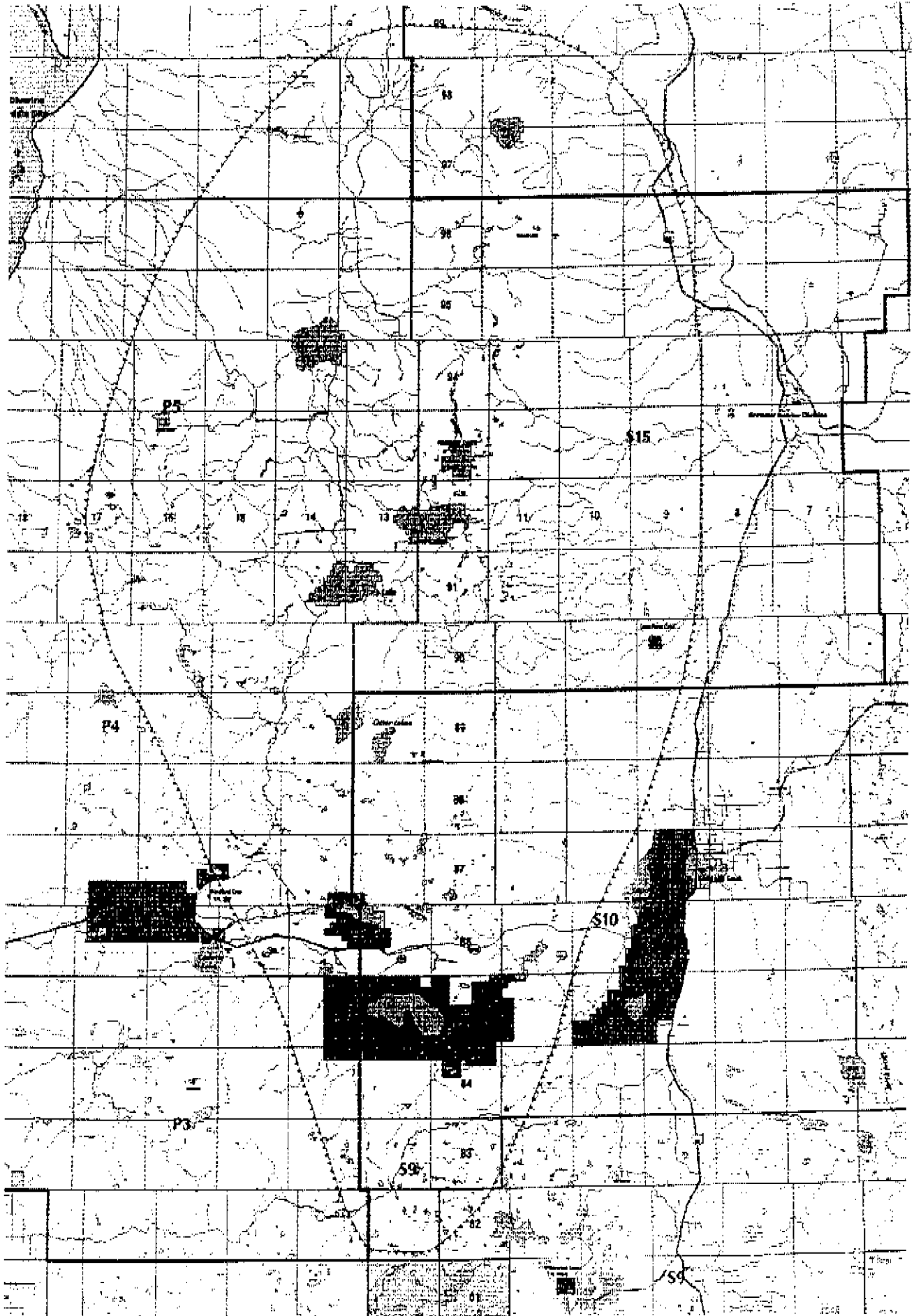
If this accurately reflects your understanding of the commitments made by Surge Global Energy, please sign this letter below and return a signed copy to us.

Sincerely,

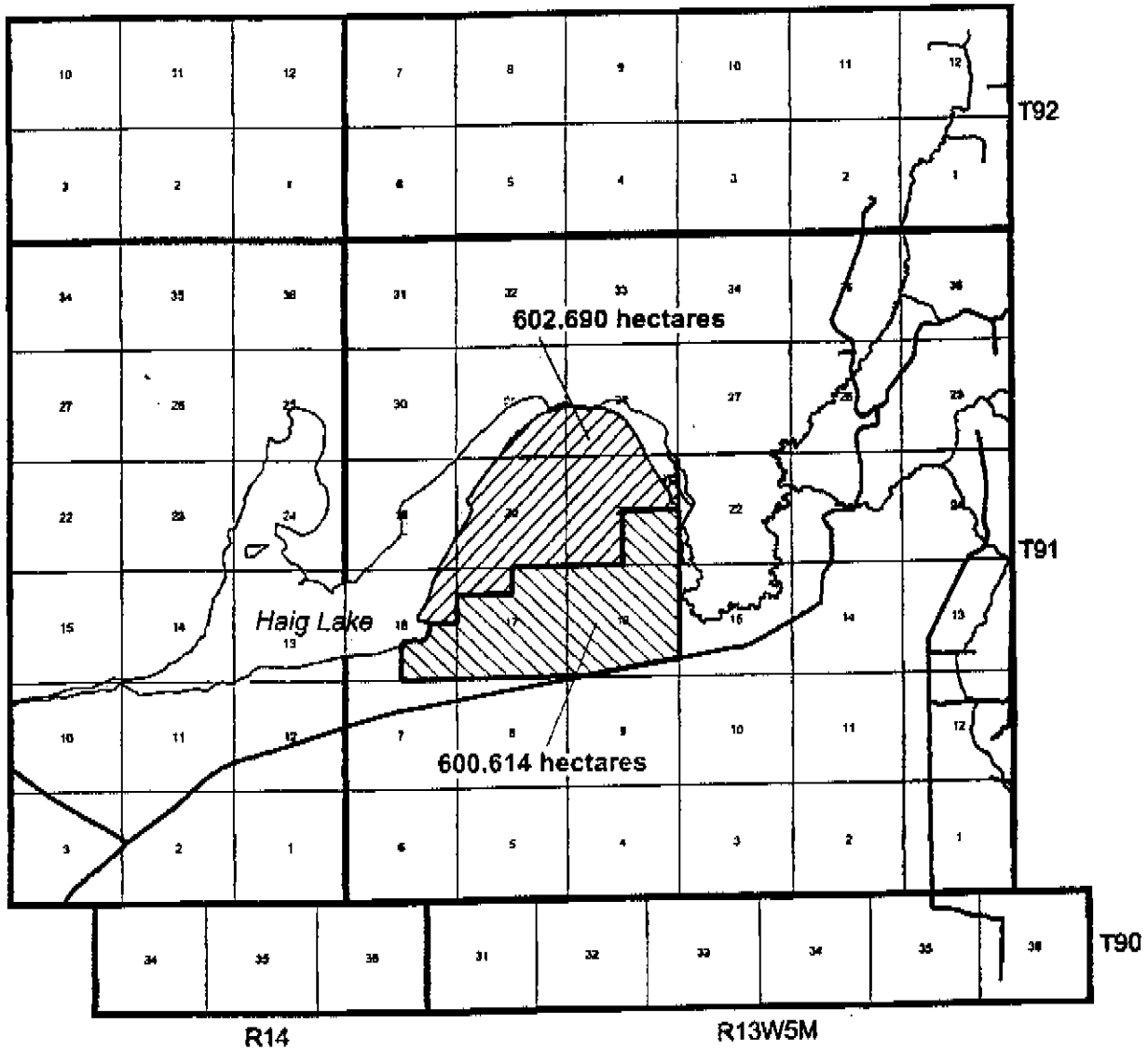


Bernard Ominayak  
Chief, Lubicon Lake Indian Nation





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David Perez  
Chairman, Surge Global Energy  
Date: \_\_\_\_\_



# Lubicon Land Claim - Haig Lake



## Legend

-  Haig Lake Indian Land Claim
-  Proposed Additional Land
-  Hydrography
-  Road



Date : May, 2003  
 Scale : 1:100 000  
 Author : GIS and Special Projects (nl)

Source Information:  
 Base Features: Sustainable Resource Development  
 Land Claim Boundaries: Department of Energy (LSAB)

Information presented on this map originates from a variety of sources and is for general information only. Please be advised that some information may have been added, amended or deleted since this map was created. Users are responsible for verifying the data before making decisions based on this map.



August 9, 2005

Bernard Ominayak  
Chief, Lubicon Lake Indian Nation  
P.O. Box 6731  
Peace River, Alberta T8S 1S5

VIA FAX 416-535-7810

Dear Mr. Ominayak

Thank you for meeting with Surge Global Energy on July 31, 2005.

Surge Global Energy would like to request another meeting within the week of August 15 to 19, 2005 where we will provide for discussion:

- Specific concerns over future Water usage
- A near term plan for up to 10 wells.
- Strategies in light of a successful production test.
- Surge's thoughts of how a thermal project would be conducted.

Surge would also like to request a letter from Chief Bernard Ominayak, directed to the AEUB Facilities Applications Group regarding Application Number 1411327, being the drilling license application submitted by Surge Global Energy, and to which the Lubicon Indian Nation have objected on the grounds of future development.

Surge requests that this letter also express no objection to the single well, as described above.

Surge purposes that Chief Bernard Ominayak request that the AEUB confirm to him that the well license is subject to the following conditions:

- That the issuance of this license does not obligate the AEUB to issue any subsequent license.
- The well is to be drilled from the abandoned well site at 1-36-91-13-W5M.
- That the well is a test well of the Bluesky oil sands.
- That the well is not meant to be a productive oil well, but is subject to an amendment to a horizontal well, drilled from the original well bore, on the same location as the test well, as a result of analysis of the core of the vertical well.

I have also included a list of Commitments by Surge Global Energy.

We look forward to working together and openly, in assessing plans to drill and evaluate at Sawn Lake, including the benefits to the Lubicon Indian Nation from activity by Surge Global Energy.

**Commitments by Surge Global Energy:**

**Lubicon Land Claims Issue**

Contact with Alberta Government as follows:

- Premier Ralph Klein – Letter & meeting
- Department of Indian Affairs
- Department of Energy: Rand Smith

Contact with Federal Government

- Department of Indian Affairs

**Purpose of Contact:**

To express the support of Surge Global Energy in continued dialogue and resolution of outstanding Land Claims Issues.

To convey the significance of uncertainty in jurisdiction and reporting arising from unresolved land claims.

**RE: Sawn Lake Oil Sands Leases**

Discussion of the Sawn Lake Project

Timeline for drilling

Possible Escalation of the project

Specific concerns over future water usage

Ground water mapping

Portable water mapping

Aquifer discussion & mapping

Peace River Group of oil sands as a water source

Details of information submitted for Mineral Surface Leases

Details of Drilling License applications

Application per G-56 & Copy of application

Details of Applications; for project status.

Details of Surge Global Energy and its partners to identify any future employment opportunities for Lubicon Nation members, with a list of available equipment and members capacities to carry out the work.

To settle compensation issues with any disposition holders ie. Trapper- Walter Whitehead

Sincerely,

Arlene Charles-Liaison

Scott Land & Lease

Agent for Surge Global Energy.

# Lubicon Lake Indian Nation

P.O. Box 6731  
Peace River, Alberta T8S 1S5

Telephone: (780) 629-3945  
Fax: (780) 629-3939

August 9, 2005

David Perez  
Chairman and Chief Operating Officer  
Surge Global Energy  
12220 El Camino Real, Suite 410  
San Diego, California  
92130 USA

VIA FAX: 1-858-704-5011

Dear Mr. Perez;

I received the attached letter from Arlene Charles on behalf of Surge Global Energy earlier today.

The list of commitments from Surge Global Energy attached to Ms. Charles' letter does not accurately reflect the commitments made by yourself and Surge Vice President John Brown in our July 31, 2005 meeting.

My letter of August 3, 2005 accurately reflects the commitments made by Surge Global Energy representatives at that meeting, including the commitment to seek Lubicon consent not to oppose Surge operations prior to applying for provincial permits or licenses.

The Lubicon Nation did not and will not agree to withdraw our objection in exchange for a promise to talk with us about your project. The Lubicon Nation would consider agreeing not to oppose your project based on our evaluation of the information you provide to us regarding the serious concerns we have raised.

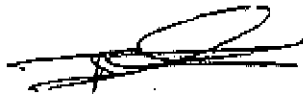
Neither are we entering into an agreement with Scott Land & Lease regarding the commitments Surge Global Energy made to the Lubicon people. Our agreement is with Surge Global Energy.

Please indicate to me that my letter of August 3 accurately reflects the commitments you made at our July 31 meeting; or, if my letter does not accurately reflect your commitments, please indicate how your understanding differs from ours.

With respect to a further meeting between the Lubicon Nation and Surge Global Energy, we would like to meet once it is clear to us that Surge Global Energy is willing to stand by the commitments made in our meetings.

Hopefully by ensuring that we have a common understanding we can avoid any future difficulties between Surge Global Energy and the Lubicon Nation.

Sincerely,



Bernard Ominayak  
Chief, Lubicon Lake Indian Nation

cc Ms. Arlene Charles, Scott Land & Lease



**SURGE GLOBAL ENERGY (CANADA) LTD.**  
#2600, 144 Fourth Avenue SW  
Calgary, Alberta T2P 3N4  
Bus. 403-440-1118 403-440-1114 Fax

August 11, 2005

Bernard Ominayak  
Chief, Lubicon Lake Indian Nation  
P.O. Box 6731  
Peace River, Alberta T8S 1S5

VIA FAX 416-535-7810

Dear Mr. Ominayak

Per our meeting and discussions with Kevin Thomas over the past week I am please to communicate to you that Surge Global Energy is committed to building a relationship that will be a long lasting one based on open communications and full disclosure to all of our activities in the Peace River region. Per our meeting we would like to request another meeting within the week of August 22 to 26, 2005 where we will provide information for discussion on the following topics:

- 1. Specific concerns over future water usage:**  
No surface water, or water from potable aquifers, will be used by Surge for any voidage replacement programs. The Peace River Formation overlying the Bluesky Formation is known to be wet, and would be the likely source of any water used for injection into the Bluesky. Any water injection scheme will be studied thoroughly prior to application and implementation. Such studies will include discussions with the Lubicons and will take into consideration all concerns of impact on the environment.
- 2. A near term plan for up to 10 wells in total:**  
Surge will discuss each location with the Lubicon, prior to making application to the AEUB for any licenses. Any concerns expressed by the Lubicons will be taken into consideration prior to application submission to the AEUB. Oil from production testing will have to be trucked initially, but Surge expects to be able to make such arrangements to be commercial as are required to pipeline oil once the oil character and quality is known, and adequate volumes are available to be committed to a pipeline. Surge does not plan to rely on trucking alone, or trucking long term, should this project move forward.
- 3. Strategies in light of a successful production test:**  
Normally, Surge would like to see six months of production from any well before having adequate data on which to base future projections of economic programs. Oil samples are required to allow identification of the oil, as well as determine pricing for it. Production rates are required in order to define the options available for production. After review of information gathered from production testing, Surge will discuss options regarding ongoing production with the Lubicons, prior to moving forward with such plans.

4. **Surge's thoughts of how a thermal project would be conducted:**  
Existing wells throughout the area were not required to be cemented with thermal cement, if they were drilled prior to 1990. Such wells pose an unacceptable risk to a steam injection program. More importantly, Surge believes at this time the high cost of steam generation and injection would not be justified in this area. Thus, no steam project is currently contemplated or proposed for this area.

As soon as possible Surge would like to request a letter from Chief Bernard Ominayak, directed to the AEUB Facilities Applications Group regarding Application Number 1411327, being the drilling license application submitted by Surge, and to which the Lubicon have objected on the grounds of future development. Surge requests that this letter express no objection to the single well, as described above.

Surge proposes that Chief Bernard Ominayak request that the AEUB confirm to him that this well license is subject to the following conditions:

- That the issuance of this license does not obligate the AEUB to issue any subsequent license.
- The vertical well is to be drilled from the abandoned well site at 1-36-91-13-W5M.
- That the vertical well is a test well of the Bluesky oil sands.
- That the vertical well, based on core analysis and log interpretation, is subject to being plugged back and amended to a horizontal well, drilled from the original well bore, on the same location as the test well, and this horizontal well bore would be production tested.

Surge looks forward to working together and openly, in assessing plans to drill and evaluate at Sawn Lake, including the benefits to the Lubicon from activity by Surge.

#### **Commitments by Surge:**

##### **Lubicon Land Claims Issue**

Contact with Alberta Government as follows:

- Premier Ralph Klein – Letter & meeting
- Department of Indian Affairs – Letter & meeting
- Department of Energy: Rand Smith – Letter & meeting

Contact with Federal Government

- Department of Indian Affairs

##### **Purpose of Contact:**

To express the support of Surge in continued dialogue and resolution of outstanding Land Claims Issues. In addition, Surge would like to convey the significance of uncertainty in jurisdiction and reporting arising from unresolved land claims.

##### **RE: Sawn Lake Oil Sands Leases**

- Discussion of the Sawn Lake Project
  - Timeline for drilling

- o Possible escalation of the project
- Specific concerns over future water usage
  - o Ground water mapping
  - o Potable water mapping
  - o Aquifer discussion & mapping
- With regard to the normal course of AEUB requirements:
  - o Surge will meet with Lubicons & discuss each well prior to making application to the AEUB for licenses. Any concerns raised by the Lubicons will be taken into consideration prior to submission of applications to the AEUB.
  - o Surge will share with the Lubicons the same information as is provided to Sustainable Energy for Mineral Surface Leases, and the same information as is provided to the AEUB for drilling licenses. Any applications by Surge for project status will be discussed with the Lubicons prior to submission to the AEUB, and concerns will be taken into account in a timely manner.

Surge will make every effort to ensure a proper working protocol is established with the Lubicon, and expects that any change in management/successor of Surge, or title to leases held by Surge will maintain and adhere to an effective working protocol, and expects that the Lubicon will likewise support such a mechanism, regardless of specific changes within the Band structure.

Sincerely,



Surge Global Energy (Canada) Ltd.  
David Perez, Chief Operating Officer and Chairman of the Board  
Tel: 1- 858-704-5018  
Fax: 1- 858-704-5011 (USA/Canada)  
Email: david@surgeglobalenergy.com

# Lubicon Lake Indian Nation

P.O. Box 6731  
Peace River, Alberta T8S 1S5

Telephone: (780) 629-3845  
Fax: (780) 629-3939

August 12, 2005

David Perez  
Chairman and Chief Operating Officer  
Surge Global Energy  
12220 El Camino Real, Suite 410  
San Diego, California  
92130 USA

VIA FAX: 1-858-704-5011

Dear Mr. Perez;

I received your letter of August 11 this morning.

Obviously your letter still does not accurately reflect the commitments made by yourself and Surge Vice President John Brown in our July 31, 2005 meeting.

My letter of August 3, 2005 accurately reflects the unequivocal commitments made by Surge Global Energy representatives at that meeting, including the commitment to seek Lubicon consent not to oppose Surge operations prior to applying for provincial permits or licenses.

Lubicon representatives are always prepared to hear presentations from companies about their plans for projects within unceded Lubicon Traditional Territory and we will consider our position with regard to each project based on the information provided.

However the Lubicon Nation is not prepared to withdraw our objection to your current ABUB application based on the highly qualified series of statements in your letter which essentially promise only to tell us what you're going to do before you proceed.

We would like to be able to make an informed decision about this project but it is increasingly difficult to do so when we can't rely on the statements made by Surge representatives from one day to the next.

Sincerely,



Bernard Ominayak  
Chief, Lubicon Lake Indian Nation

cc Susan MacDonald, Alberta Energy and Utilities Board